

AMENDED IN ASSEMBLY APRIL 27, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1547**

**Introduced by Assembly Member Levine**

February 22, 2005

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An act to amend Section 25744 of, to add Section 25402.10 to, and to add Division 16.7 (commencing with Section 26421) to, the Public Resources Code, and to amend Sections 399.6, 399.8, 2827, 3345, and 3370 of, to add Sections 385.1 and 760 to, and to add Chapter 8 (commencing with Section 2830) to Part 2 of Division 1 of, the Public Utilities Code, relating to solar energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1547, as amended, Levine. Energy: renewable energy: solar generation of electricity.

(1) The existing Public Utilities Act requires the Public Utilities Commission (CPUC) to require Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Edison to identify a separate electrical rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. The funds are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources. Existing commission resolutions refer to the nonbypassable rate component as a "Public Goods Charge" (PGC). Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to transfer funds collected by

electrical corporations for in-state operation and development of existing and new and emerging renewable resources technologies into the Renewable Resource Trust Fund, to fund specified programs. Existing law requires that 17.5% of the money collected under the renewable energy PGC be used to fund the Emerging Renewable Resources Account within the Renewable Resource Trust Fund for the purpose of a multiyear, consumer-based program to foster the development of emerging renewable technologies in distributed generation applications.

Under the Reliable Electric Service Investments Act, the Energy Commission was required to hold moneys collected for renewable energy and deposited in the Renewable Resource Trust Fund until further action by the Legislature. The act requires the Energy Commission to create an initial investment plan, in accordance with specified objectives, to govern the allocation of funds in the Renewable Resource Trust Fund collected between January 1, 2002, and January 1, 2007, in order to ensure a fully competitive and self-sustaining California renewable energy supply. Existing law requires the Energy Commission, on or before March 31, 2006, to prepare an investment plan proposing the application of moneys collected between January 1, 2007, and January 1, 2012, and prohibits expenditures from the accounts within the Renewable Resource Trust Fund without further legislative action.

This bill would enact the Solar Energy Peak Procurement Act. The bill would except moneys expended through the Emerging Renewable Resources Account from the requirement that the Energy Commission prepare an investment plan on or before March 31, 2006, and would authorize the commission to advance moneys to the Emerging Renewable Resources Account and to expend those moneys, without further legislative action, subject to certain existing repayment provisions, thereby making an appropriation. The bill would require the Energy Commission to ensure proportional program support through the Emerging Renewable Resources Account, for affordable housing units, within certain limits.

(2) Existing law requires the Public Utilities Commission, in consultation with the Independent System Operator and the Energy Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Existing law requires the

commission, in consultation with the Energy Commission, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004.

Existing law requires the Energy Commission to expand and accelerate development of alternative sources of energy, including solar resources. Existing law requires the Energy Commission, until January 1, 2006, and to the extent that funds are appropriated for that purpose in the annual Budget Act, to implement a grant program to accomplish specified goals, including making solar energy systems cost competitive with alternate forms of energy.

This bill would create the Solar Energy Peak Procurement Fund for expenditure, upon appropriation, for a state program for subsidizing all customer classes for the installed cost of grid-connected solar ~~photovoltaic~~ *energy* systems in the service territory of investor-owned utilities. The bill would require the Energy Commission, not later than July 1, ~~2005~~ *2006*, to award rebates to support the installation of grid-connected solar energy systems, subject to a prescribed declining schedule terminating as of January 1, 2015. The bill would require the Energy Commission to ensure proportional program support for affordable housing units, within certain limits.

The bill would require the CPUC to open a proceeding to examine the relative costs and benefits between solar rebate programs and commission-administered interruptible demand reduction programs.

The bill would require the CPUC to direct utilities to deposit a portion of electric rate revenues in the Solar Energy Peak Procurement Fund from unallocated funds previously authorized for demand management and interruptible programs and rates that previously paid for those programs and that the CPUC determines are less cost effective than the ~~photovoltaic~~ *solar energy* incentive system established by the bill. The bill would require the CPUC to make certain reports to the Legislature.

(3) Existing law requires that the PGC be adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined.

This bill would require that the amounts collected to fund energy efficiency, renewable energy, and research, development, and demonstration during ~~2005 and 2006~~ *2006 and 2007*, be set at the levels established by the CPUC for ~~2004~~ *2005*, and would require that any moneys collected above ~~those 2004 levels~~ *the level for a specific*

~~year during 2005 and 2006~~ *the years 2006 and 2007*, be transferred to the Solar Energy Peak Procurement Fund.

(4) Existing law requires each local publicly owned electric utility to establish a nonbypassable usage-based charge to fund investments in specified public purpose programs, including energy efficiency and conservation, investment in renewable energy resources, research, development and demonstration programs, and providing services for low-income electricity customers. The charge is required to be not less than the lowest expenditure of the 3 largest electrical corporations in California based on a percentage of revenue.

This bill would require every local publicly owned electric utility, as defined, to establish a solar program consistent with the Solar Energy Peak Procurement Program. Each local publicly owned electric utility would be required to report, on an annual basis, to its customers and to the Energy Commission, information relative to the utility's solar program and would authorize the Energy Commission to establish guidelines for the information to be included in the annual report. By imposing additional requirements on local publicly owned electric utilities, the bill would impose a state-mandated local program.

(5) Existing law requires a solar energy system to meet applicable standards and requirements imposed by state and local permitting authorities.

This bill would require that beginning January 1, 2010, a seller of production homes, as defined, offer a solar energy system, as defined, option to all customers negotiating to purchase a new production home and to disclose certain information.

(6) Existing law requires every electric service provider, as defined, to develop a standard contract or tariff providing for net energy metering, and to make this contract available to eligible customer generators, upon request. Existing law requires every electric service provider, upon request, to make available to eligible customer generators contracts for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 0.5% of the electric service provider's aggregate customer peak demand.

This bill would require that every electric service provider, upon request, make available to eligible customer generators contracts for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer

generators exceeds 1.5% of the electric service provider's aggregate customer peak demand.

(7) Existing law authorizes the CPUC to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would require the CPUC, in collaboration with the Energy Commission, to develop optional time-variant electricity pricing tariffs for all customers that are not subject to mandatory time-variant pricing.

(8) Under existing law, a violation of the Public Utilities Act or an order or decision of the commission is a crime.

Certain provisions of this bill would be part of the act and an order or other action of the commission would be required to implement certain of the provisions. Because a violation of the bill's provisions or of an order or decision of the commission implementing those provisions would be a crime, this bill would impose a state-mandated local program by creating new crimes.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. This act shall be known, and may be cited as the
- 2 Solar Energy Peak Procurement Act.
- 3 SEC. 2. Section 25402.10 is added to the Public Resources
- 4 Code, to read:
- 5 25402.10. (a) As used in this section, the following terms
- 6 have the following meanings:
- 7 (1) "kW" means kilowatts or 1,000 watts, as measured from
- 8 the alternating current side of the solar energy system inverter
- 9 consistent with Section 223 of Title 15 of the United States Code.
- 10 (2) "Production home" means a single-family residence
- 11 constructed as part of a development of at least 50 homes per
- 12 project that is intended or offered for sale.

(3) “Solar energy system” means a ~~photovoltaic solar collector or other photovoltaic~~ solar energy device that has a primary purpose of providing for the collection, and distribution of solar energy for the generation of electricity; and that produces at least 1 kW alternating current-rated peak electricity.

(b) A seller of production homes shall, beginning January 1, 2010, offer a solar energy system option to all customers that enter into negotiations to purchase a new production home constructed on land for which an application for a tentative subdivision map has been deemed complete on or after January 1, 2007, and shall disclose to customers the following information:

(1) The total installed cost of the solar energy system option.

(2) The estimated cost savings associated with the solar energy system option, as determined by the commission.

SEC. 3. Section 25744 of the Public Resources Code is amended to read:

25744. (a) Seventeen and one-half percent of the money collected pursuant to the renewable energy public goods charge shall be used for a multiyear, consumer-based program to foster the development of emerging renewable technologies in distributed generation applications.

(b) Any funds used for emerging technologies pursuant to this section shall be expended subject to all of the following requirements:

(1) Funding for emerging technologies shall be provided through a competitive, market-based process that shall be in place for a period of not less than five years, and shall be structured so as to allow eligible emerging technology manufacturers and suppliers to anticipate and plan for increased sale and installation volumes over the life of the program.

(2) The program shall provide monetary rebates, buydowns, or equivalent incentives, subject to subparagraph (C), to purchasers, lessees, lessors, or sellers of eligible electricity generating systems. Incentives shall benefit the end-use consumer of renewable generation by directly and exclusively reducing the purchase or lease cost of the eligible system, or the cost of electricity produced by the eligible system. Incentives shall be issued on the basis of the rated electrical generating capacity of the system measured in watts, or the amount of electricity

1 production of the system, measured in kilowatthours. Incentives  
2 shall be limited to a maximum percentage of the system price, as  
3 determined by the commission.

4 (3) Eligible distributed emerging technologies are  
5 photovoltaic, solar thermal electric, fuel cell technologies that  
6 utilize renewable fuels, and wind turbines of not more than 50  
7 kilowatts-rated electrical generating capacity per customer site,  
8 and other distributed renewable emerging technologies that meet  
9 the emerging technology eligibility criteria established by the  
10 commission. Eligible electricity generating systems are intended  
11 primarily to offset part or all of the consumer's own electricity  
12 demand, and shall not be owned by local publicly owned electric  
13 utilities, nor be located at a customer site that is not receiving  
14 distribution service from an electrical corporation that is subject  
15 to the renewable energy public goods charge and contributing  
16 funds to support programs under this chapter. All eligible  
17 electricity generating system components shall be new and  
18 unused, shall not have been previously placed in service in any  
19 other location or for any other application, and shall have a  
20 warranty of not less than five years to protect against defects and  
21 undue degradation of electrical generation output. Systems and  
22 their fuel resources shall be located on the same premises of the  
23 end-use consumer where the consumer's own electricity demand  
24 is located, and all eligible electricity generating systems shall be  
25 connected to the utility grid in California. The commission may  
26 require eligible electricity generating systems to have meters in  
27 place to monitor and measure a system's performance and  
28 generation. Only systems that will be operated in compliance  
29 with applicable law and the rules of the Public Utilities  
30 Commission shall be eligible for funding.

31 (4) The commission shall limit the amount of funds available  
32 for any system or project of multiple systems and reduce the  
33 level of funding for any system or project of multiple systems  
34 that has received, or may be eligible to receive, any government  
35 or utility funds, incentives, or credit.

36 (5) In awarding funding, the commission may provide  
37 preference to systems that provide tangible demonstrable benefits  
38 to communities with a plurality of minority or low-income  
39 populations.

1 (6) In awarding funding, the commission shall develop and  
2 implement eligibility criteria and a system that provides  
3 preference to systems based upon system performance, taking  
4 into account factors, including, but not limited to, shading,  
5 insulation levels, and installation orientation.

6 (7) At least once annually, the commission shall publish and  
7 make available to the public the balance of funds available for  
8 emerging renewable energy resources for rebates, buydowns, and  
9 other incentives for the purchase of these resources.

10 (c) Notwithstanding Section 399.6 of the Public Utilities Code,  
11 the commission may expend, until December 31, 2008, up to  
12 sixty million dollars (\$60,000,000) of the funding allocated to the  
13 Renewable Resources Trust Fund for the program established in  
14 this section, subject to the repayment requirements of subdivision  
15 (f) of Section 25751.

16 (d) The commission shall ensure proportional program support,  
17 not to exceed 10 percent of overall program funds, for the  
18 installation of solar energy systems on the new construction and  
19 rehabilitation of affordable housing units, including single and  
20 multifamily residential housing. In addition, the commission  
21 shall ensure that additional and proportional resources, not to  
22 exceed 5 percent of overall program funds, are provided for the  
23 unique needs of subsidized low-income housing through targeted  
24 financing mechanisms and support, including a revolving loan  
25 fund, technical assistance, and other needs as identified in  
26 consultation with the California Tax Credit Allocation  
27 Committee.

28 (e) Nonresidential rebates awarded pursuant to subdivision (b)  
29 or funded through the Solar Energy Peak Procurement Program  
30 pursuant to Chapter 8 (commencing with Section 2830) of Part 2  
31 of Division 1 of the Public Utilities Code, shall be paid directly  
32 to the contractor who will perform or subcontract the  
33 construction work pursuant to an agreement between the  
34 commission and the contractor.

35 SEC. 4. Division 16.7 (commencing with Section 26421) is  
36 added to the Public Resources Code, to read:

DIVISION 16.7. SOLAR ENERGY SYSTEM REBATES

26421. (a) “Affordable housing,” as used in this division, means a housing project undertaken pursuant to Section 50052.5, 50053, or 50199.4 of the Health and Safety Code.

(b) “Solar energy system,” as used in this division, means a ~~photovoltaic solar collector or other photovoltaic~~ solar energy device that has a primary purpose of providing for the collection, storage, and distribution of solar energy for the generation of electricity. A solar energy system shall have a minimum manufacturer’s warranty, as determined by the commission, and shall meet all applicable safety and performance standards established by the National Electrical Code, the institute of Electrical and Electronics Engineers, and accredited testing laboratories, including Underwriters laboratories and, where applicable, rules of the Public Utilities Commission regarding safety and reliability.

26422. (a) Not later than July 1, ~~2005~~ 2006, the commission shall award rebates to support the installation of grid-connected solar energy systems and shall adopt a schedule of declining rebates for this purpose, subject to all of the following:

(1) The maximum rebate in year one shall be no greater than two dollars and eighty cents (\$2.80) per watt, and shall decline each year thereafter as determined by the commission.

(2) The rebate shall be zero as of January 1, 2015.

(b) The program shall be funded through the Solar Energy Peak Procurement Fund as provided in Section 2834 of the Public Utilities Code.

(c) The President of the Public Utilities Commission and the chairman of the State Energy Resources Conservation and Development Commission shall, no later than March of 2006, appear before the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Commerce to issue a progress report on meeting the deadline for the creation of the Solar Energy Peak Procurement Program.

(d) The commission shall specify that this program is on a first-come first-serve basis for applicants.

26423. The commission shall ensure proportional program support, not to exceed 10 percent of overall program funds, for installation of solar energy systems on the new construction and

1 rehabilitation of affordable housing units, including single and  
2 multifamily residential housing. In addition to the rebate, the  
3 commission shall also ensure that additional and proportional  
4 resources, not to exceed 5 percent of overall program funds, are  
5 provided for the unique needs of subsidized low-income housing  
6 through targeted financing mechanisms and support, including a  
7 revolving loan fund, technical assistance, and other needs as  
8 identified in consultation with the California Tax Credit  
9 Allocation Committee.

10 SEC. 5. Section 385.1 is added to the Public Utilities Code, to  
11 read:

12 385.1. (a) Every local publicly owned electric utility, as  
13 defined in Section 9604, that has retail customers, shall establish  
14 a solar program consistent with the Solar Energy Peak  
15 Procurement Program established pursuant to Chapter 8  
16 (commencing with Section 2830) of Part 2 and Division 16.7  
17 (commencing with Section 26421) of the Public Resources Code,  
18 to fund program expenditure levels consistent with those  
19 established for the three largest electrical corporations in  
20 California, at a rate proportional to the size of the ratepayer base  
21 served by the local publicly owned electric utility. Every local  
22 publicly owned electric utility shall establish the program within  
23 a reasonable period of time, but not to exceed six months, after  
24 the commission adopts and implements any solar homes program  
25 pursuant to Chapter 8 (commencing with Section 2830).

26 (b) Each local publicly owned electric utility shall report, on  
27 an annual basis, to its customers and to the State Energy  
28 Resources Conservation and Development Commission,  
29 information relative to the utility's solar program. The State  
30 Energy Resources Conservation and Development Commission  
31 may establish guidelines for the information to be included in the  
32 annual report.

33 (c) The charge imposed pursuant to this section shall fund the  
34 local publicly owned electric utility's administrative and  
35 reporting costs pursuant to this section.

36 SEC. 6. Section 399.6 of the Public Utilities Code is amended  
37 to read:

38 399.6. (a) In order to optimize public investment and ensure  
39 that the most cost-effective and efficient investments in  
40 renewable resources are vigorously pursued, the Energy

Commission shall create an investment plan as set forth in paragraphs (1) to (3), inclusive, to govern the allocation of funds provided pursuant to this article. The Energy Commission's long-term goal shall be a fully competitive and self-sustaining California renewable energy supply. The investment plan shall be in accordance with all of the following:

(1) The investment plan's objective shall be to increase, in the near term, the quantity of California's electricity generated by in-state renewable energy resources, while protecting system reliability, fostering resource diversity, and obtaining the greatest environmental benefits for California residents.

(2) An additional objective of the plan shall be to identify and support emerging renewable energy technologies that have the greatest near-term commercial promise and that merit targeted assistance.

(3) The investment plan shall contain specific numerical targets, reflecting the projected impact of the plan, for both of the following:

(A) Increased quantity of California electrical generation produced from emerging technologies and from overall renewable resources.

(B) Increased supply of renewable generation available from facilities other than those selling to investor-owned utilities under contracts entered into prior to 1996 under the federal Public Utilities Regulatory Policies Act of 1978 (P.L. 95-617).

(b) The Energy Commission shall, on an annual basis, evaluate progress on meeting the targets set forth in subparagraphs (A) and (B) of paragraph (3) of subdivision (a), or any substitute provisions adopted by the Legislature upon review of the investment plan, and assess the impact of the investment plan on reducing the cost to Californians of renewable energy generation.

(c) In preparing these investment plans, the Energy Commission shall recommend allocations among all of the following:

(1) (A) Except as provided in subparagraph (B), production incentives for new renewable energy, including repowered or refurbished renewable energy.

(B) Allocations may not be made for renewable energy that is generated by a project that remains under a power purchase

1 contract with an electrical corporation originally entered into  
2 prior to September 24, 1996, whether amended or restated  
3 thereafter.

4 (C) Notwithstanding subparagraph (B), production incentives  
5 for incremental new, repowered, or refurbished renewable energy  
6 from existing projects under an electricity purchase contract with  
7 an electrical corporation originally entered into prior to  
8 September 24, 1996, whether amended or restated thereafter,  
9 may be allowed in any month, if all of the following occur:

10 (i) The project's electricity purchase contract provides that all  
11 electricity delivered and sold under the contract is paid at a price  
12 that does not exceed commission-approved short-run avoided  
13 cost of electricity.

14 (ii) Either of the following:

15 (I) The electricity purchase contract is amended to provide that  
16 the kilowatthours used to determine the capacity payment in any  
17 time-of-delivery period in any month under the contract shall be  
18 equal to the actual kilowatthour production, but no greater than  
19 the five-year average of the kilowatthours delivered for the  
20 corresponding time-of-delivery period and month, in the years  
21 1994 to 1998, inclusive.

22 (II) If a project's installed capacity as of December 31, 1998,  
23 is less than 75 percent of the nameplate capacity as stated in the  
24 electricity purchase contract, the electricity purchase contract is  
25 amended to provide that the kilowatthours used to determine the  
26 capacity payment in any time-of-delivery period in any month  
27 under the contract shall be equal to the actual kilowatthour  
28 production, but no greater than the product of the five-year  
29 average of the kilowatthours delivered for the corresponding  
30 time-of-delivery period and month, in the years 1994 to 1998,  
31 inclusive, and the ratio of installed capacity as of December 31 of  
32 the previous year, but not to exceed contract nameplate capacity,  
33 to the installed capacity as of December 31, 1998.

34 (iii) The production incentive is payable only with respect to  
35 the kilowatthours delivered in a particular month that exceeds the  
36 corresponding five-year average calculated pursuant to clause  
37 (ii).

38 (2) Rebates, buydowns, or equivalent incentives for emerging  
39 renewable technologies.

1 (3) Customer credits for renewables not under contract with a  
2 utility.

3 (4) Customer education.

4 (5) Incentives for reducing fuel costs that are confirmed to the  
5 satisfaction of the Energy Commission at solid fuel biomass  
6 energy facilities in order to provide demonstrable environmental  
7 and public benefits, including, but not limited to, air quality.

8 (6) Solar thermal generating resources that enhance the  
9 environmental value or reliability of the electrical system and  
10 that require financial assistance to remain economically viable, as  
11 determined by the Energy Commission. The Energy Commission  
12 may require financial disclosure from applicants for purposes of  
13 this paragraph.

14 (7) Specified fuel cell technologies, if the Energy Commission  
15 makes all of the following findings:

16 (A) The specified technologies have similar or better air  
17 pollutant characteristics than renewable technologies in the  
18 investment plan.

19 (B) The specified technologies require financial assistance to  
20 become commercially viable by reference to wholesale  
21 generation prices.

22 (C) The specified technologies could contribute significantly  
23 to the infrastructure development or other innovation required to  
24 meet the long-term objective of a self-sustaining, competitive  
25 supply of renewable energy.

26 (8) Existing wind-generating resources, if the Energy  
27 Commission finds that the existing wind-generating resources are  
28 a cost-effective source of reliable and environmental benefits  
29 compared with other eligible sources, and that the existing  
30 wind-generating resources require financial assistance to remain  
31 economically viable, as determined by the Energy Commission.  
32 The Energy Commission may require financial disclosure from  
33 applicants for the purposes of this paragraph.

34 (d) The commission shall establish a cap on the aggregate  
35 amount of funds that may be awarded to public entities from the  
36 program that provides customer credits for renewables. The  
37 intent of the cap is to assure adequate funding of credits for  
38 residential and small commercial customers.

39 (e) The Energy Commission shall prepare and submit to the  
40 Legislature, on or before March 31, 2001, an initial investment

1 plan for these moneys, addressing the application of moneys  
2 collected between January 1, 2002, and January 1, 2007. The  
3 initial investment plan shall also include an evaluation of and  
4 report to the Legislature regarding the appropriateness and  
5 structure of a mandatory state purchase of renewable energy. On  
6 or before March 31, 2006, the Energy Commission shall prepare  
7 an investment plan proposing the application of moneys collected  
8 between January 1, 2007, and January 1, 2012. Except for those  
9 moneys expended through the Emerging Renewable Resources  
10 Account, no moneys may be expended in the years covered by  
11 these plans without further legislative action.

12 (f) Notwithstanding subdivision (e), the commission may  
13 advance moneys to the Emerging Renewable Resources Account  
14 and expend those moneys without further legislative action,  
15 subject to subdivision (f) of Section 25751 of the Public  
16 Resources Code.

17 SEC. 7. Section 399.8 of the Public Utilities Code is amended  
18 to read:

19 399.8. (a) In order to ensure that the citizens of this state  
20 continue to receive safe, reliable, affordable, and  
21 environmentally sustainable electric service, it is the policy of  
22 this state and the intent of the Legislature that prudent  
23 investments in energy efficiency, renewable energy, and  
24 research, development and demonstration shall continue to be  
25 made.

26 (b) (1) Every customer of an electrical corporation, shall pay  
27 a nonbypassable system benefits charge authorized pursuant to  
28 this article. The system benefits charge shall fund energy  
29 efficiency, renewable energy, and research, development and  
30 demonstration.

31 (2) Local publicly owned electric utilities shall continue to  
32 collect and administer system benefits charges pursuant to  
33 Section 385.

34 (c) (1) The commission shall require each electrical  
35 corporation to identify a separate rate component to collect  
36 revenues to fund energy efficiency, renewable energy, and  
37 research, development and demonstration programs authorized  
38 pursuant to this section beginning January 1, 2002, through  
39 January 1, 2012. The rate component shall be a nonbypassable

1 element of the local distribution service and collected on the  
2 basis of usage.

3 (2) This rate component may not exceed, for any tariff  
4 schedule, the level of the rate component that was used to  
5 recover funds authorized pursuant to Section 381 on January 1,  
6 2000. If the amounts specified in paragraph (1) of subdivision (d)  
7 are not recovered fully in any year, the commission shall reset  
8 the rate component to restore the unrecovered balance, provided  
9 that the rate component may not exceed, for any tariff schedule,  
10 the level of the rate component that was used to recover funds  
11 authorized pursuant to Section 381 on January 1, 2000. Pending  
12 restoration, any annual shortfalls shall be allocated pro rata  
13 among the three funding categories in the proportions established  
14 in paragraph (1) of subdivision (d).

15 (d) The commission shall order San Diego Gas and Electric  
16 Company, Southern California Edison Company, and Pacific Gas  
17 and Electric Company to collect these funds commencing on  
18 January 1, 2002, as follows:

19 (1) Two hundred twenty-eight million dollars (\$228,000,000)  
20 per year in total for energy efficiency and conservation activities,  
21 one hundred thirty-five million dollars (\$135,000,000) in total  
22 per year for renewable energy, and sixty-two million five  
23 hundred thousand dollars (\$62,500,000) in total per year for  
24 research, development and demonstration. The funds for energy  
25 efficiency and conservation activities shall continue to be  
26 allocated in proportions established for the year 2000 as set forth  
27 in paragraph (1) of subdivision (c) of Section 381.

28 (2) The amounts shall be adjusted annually at a rate equal to  
29 the lesser of the annual growth in electric commodity sales or  
30 inflation, as defined by the gross domestic product deflator. The  
31 amounts collected to fund energy efficiency, renewable energy,  
32 and research, development and demonstration, from January 1,  
33 ~~2005, to December 31, 2006~~ *2006, to December 31, 2007*, shall  
34 be those levels established by the commission for ~~2004~~ *2005*.  
35 Any additional moneys collected as a result of the difference  
36 between the rate component amount specified in paragraph (2) of  
37 subdivision (c) and the amounts required to be collected pursuant  
38 to this subdivision, from January 1, ~~2005, to December 31, 2006~~  
39 *2006, to December 31, 2007*, shall be transferred at least

1 quarterly to the Solar Energy Peak Procurement Fund established  
2 pursuant to Section 2833.

3 (e) The commission and the Energy Commission shall retain  
4 and continue their oversight responsibilities as set forth in  
5 Sections 381 and 383, and Chapter 7.1 (commencing with  
6 Section 25620) and Chapter 8.6 (commencing with Section  
7 25740) of Division 15 of the Public Resources Code.

8 (f) (1) On or before January 1, 2004, the Governor shall  
9 appoint an independent review panel including, but not limited  
10 to, members with expertise on the energy service needs of large  
11 and small electricity consumers, system reliability issues, and  
12 energy-related public policy. On or before January 1, ~~2005~~ 2006,  
13 the panel shall prepare and submit to the Legislature and the  
14 Energy Commission a report evaluating the energy efficiency,  
15 renewable energy, and research, development and demonstration  
16 programs funded under this section. Reasonable costs associated  
17 with the review in each of the three program categories,  
18 including technical assistance, may be charged to the relevant  
19 program category under procedures to be developed by the  
20 commission for energy efficiency and by the Energy  
21 Commission for renewable energy and research development and  
22 demonstration.

23 (2) The report shall also assess all of the following:

24 (A) Whether ongoing programs are consistent with the  
25 statutory goals.

26 (B) Whether potential synergies among the program categories  
27 described in paragraph (1) that could provide enhanced public  
28 value have been identified and incorporated in the programs.

29 (C) If established targets for increased renewable generation  
30 are likely to be achieved.

31 (D) What changes should be made to result in a more efficient  
32 use of public resources.

33 (3) The report shall also compare the Energy Commission's  
34 programs with efforts undertaken by other states and assess, as an  
35 alternative, the relative costs and benefits of adopting a tradable  
36 minimum renewable energy requirement in California. The  
37 evaluation shall include recommendations intended to optimize  
38 renewable resource development at the least cost.

39 (4) For energy efficiency programs, the report shall include an  
40 evaluation of all of the following:

1 (A) The net benefits secured for residential customers, taking  
2 into account both public and private costs, including  
3 improvements in that customer group's ability to avoid or reduce  
4 consumption of relatively costly peak electricity.

5 (B) Whether the programs provide a balance of benefits to all  
6 sectors that contribute to the funding.

7 (C) The extent to which competition in energy markets  
8 including, but not limited to, load participation in ancillary  
9 services markets, and improvements in technology affect the  
10 continuing need for such programs.

11 (D) The status and growth of the private, competitive energy  
12 services industry that provides energy efficiency services and  
13 other energy products to customers.

14 (E) The commercial availability of any new technologies that  
15 reduce electricity demands during high-priced periods.

16 (F) Customers' willingness and ability to reduce consumption  
17 or adopt energy efficiency measures without program support.

18 (G) The extent to which the programs have delivered  
19 cost-effective energy efficiency not adequately provided by  
20 markets and as a result have reduced energy demand and  
21 consumption.

22 (H) The relative cost-effectiveness of program expenditures  
23 compared to other current or potential expenditures to enhance  
24 system reliability.

25 (5) The report shall include specific recommendations aimed  
26 at assisting the Legislature in determining whether to change or  
27 eliminate the collection of the system benefits charge on or after  
28 January 1, 2007.

29 (6) The panel may update and revise the report as needed.

30 (g) Promptly after receiving the panel's report, the  
31 commission shall convene a proceeding to address  
32 implementation of the panel's energy efficiency  
33 recommendations.

34 (h) An applicant for the Large Nonresidential Standard  
35 Performance Contract Program funded pursuant to paragraph (1)  
36 of subdivision (b) and an electrical corporation shall promptly  
37 attempt to resolve disputes that arise related to the program's  
38 guidelines and parameters prior to entering into a program  
39 agreement. The applicant shall provide the electrical corporation  
40 with written notice of any dispute. Within 10 business days after

1 receipt of the notice, the parties shall meet to resolve the dispute.  
2 If the dispute is not resolved within 10 business days after the  
3 date of the meeting, the electrical corporation shall notify the  
4 applicant of his or her right to file a complaint with the  
5 commission, which complaint shall describe the grounds for the  
6 complaint, injury, and relief sought. The commission shall issue  
7 its findings in response to a filed complaint within 30 business  
8 days of the date of receipt of the complaint. Prior to issuance of  
9 its findings, the commission shall provide a copy of the  
10 complaint to the electrical corporation, which shall provide a  
11 response to the complaint to the commission within five business  
12 days of the date of receipt. During the dispute period, the amount  
13 of estimated financial incentives shall be held in reserve until the  
14 dispute is resolved.

15 SEC. 8. Section 760 is added to the Public Utilities Code, to  
16 read:

17 760. The commission, in collaboration with the State Energy  
18 Resources Conservation and Development Commission, shall  
19 develop optional time-variant electricity pricing tariffs for all  
20 customers that are not subject to mandatory time-variant pricing  
21 as of January 1, 2004, including net metered customers.

22 SEC. 9. Section 2827 of the Public Utilities Code is amended  
23 to read:

24 2827. (a) The Legislature finds and declares that a program  
25 to provide net energy metering for eligible customer-generators  
26 is one way to encourage substantial private investment in  
27 renewable energy resources, stimulate in-state economic growth,  
28 reduce demand for electricity during peak consumption periods,  
29 help stabilize California's energy supply infrastructure, enhance  
30 the continued diversification of California's energy resource mix,  
31 and reduce interconnection and administrative costs for  
32 electricity suppliers.

33 (b) As used in this section, the following definitions apply:

34 (1) "Electric service provider" means an electrical corporation,  
35 as defined in Section 218, a local publicly owned electric utility,  
36 as defined in Section 9604, or an electrical cooperative, as  
37 defined in Section 2776, or any other entity that offers electrical  
38 service. This section shall not apply to a local publicly owned  
39 electric utility, as defined in Section 9604 of the Public Utilities

1 Code, that serves more than 750,000 customers and that also  
2 conveys water to its customers.

3 (2) “Eligible customer-generator” means a residential, small  
4 commercial customer as defined in subdivision (h) of Section  
5 331, commercial, industrial, or agricultural customer of an  
6 electric service provider, who uses a solar or a wind turbine  
7 electrical generating facility, or a hybrid system of both, with a  
8 capacity of not more than one megawatt that is located on the  
9 customer’s owned, leased, or rented premises, is interconnected  
10 and operates in parallel with the electric grid, and is intended  
11 primarily to offset part or all of the customer’s own electrical  
12 requirements.

13 (3) “Net energy metering” means measuring the difference  
14 between the electricity supplied through the electric grid and the  
15 electricity generated by an eligible customer-generator and fed  
16 back to the electric grid over a 12-month period as described in  
17 subdivision (h). Net energy metering shall be accomplished using  
18 a single meter capable of registering the flow of electricity in two  
19 directions. An additional meter or meters to monitor the flow of  
20 electricity in each direction may be installed with the consent of  
21 the customer-generator, at the expense of the electric service  
22 provider, and the additional metering shall be used only to  
23 provide the information necessary to accurately bill or credit the  
24 customer-generator pursuant to subdivision (h), or to collect solar  
25 or wind electric generating system performance information for  
26 research purposes. If the existing electrical meter of an eligible  
27 customer-generator is not capable of measuring the flow of  
28 electricity in two directions, the customer-generator shall be  
29 responsible for all expenses involved in purchasing and installing  
30 a meter that is able to measure electricity flow in two directions.  
31 If an additional meter or meters are installed, the net energy  
32 metering calculation shall yield a result identical to that of a  
33 single meter. An eligible customer-generator who already owns  
34 an existing solar or wind turbine electrical generating facility, or  
35 a hybrid system of both, is eligible to receive net energy metering  
36 service in accordance with this section.

37 (4) “Wind energy co-metering” means any wind energy  
38 project greater than 50 kilowatts, but not exceeding one  
39 megawatt, where the difference between the electricity supplied  
40 through the electric grid and the electricity generated by an

1 eligible customer-generator and fed back to the electric grid over  
2 a 12-month period is as described in subdivision (h). Wind  
3 energy co-metering shall be accomplished pursuant to Section  
4 2827.8.

5 (5) “Co-energy metering” means a program that is the same in  
6 all other respects as a net energy metering program, except that  
7 the local publicly owned electric utility, as defined in Section  
8 9604, has elected to apply a generation-to-generation energy and  
9 time-of-use credit formula as provided in subdivision (i).

10 (6) “Ratemaking authority” means, for an electrical  
11 corporation as defined in Section 218, or an electrical  
12 cooperative as defined in Section 2776, the commission, and for  
13 a local publicly owned electric utility as defined in Section 9604,  
14 the local elected body responsible for regulating the rates of the  
15 local publicly owned utility.

16 (c) (1) Every electric service provider shall develop a standard  
17 contract or tariff providing for net energy metering, and shall  
18 make this contract available to eligible customer-generators,  
19 upon request, on a first-come-first-served basis until the time that  
20 the total rated generating capacity used by eligible  
21 customer-generators exceeds 1.5 percent of the electric service  
22 provider’s aggregate customer peak demand.

23 (2) On an annual basis, beginning in 2003, every electric  
24 service provider shall make available to the ratemaking authority  
25 information on the total rated generating capacity used by  
26 eligible customer-generators that are customers of that provider  
27 in the provider’s service area. For those electric service providers  
28 who are operating pursuant to Section 394, they shall make  
29 available to the ratemaking authority the information required by  
30 this paragraph for each eligible customer-generator that is their  
31 customer for each service area of an electric corporation, local  
32 publicly owned electric utility, or electrical cooperative, in which  
33 the customer has net energy metering. The ratemaking authority  
34 shall develop a process for making the information required by  
35 this paragraph available to energy service providers, and for  
36 using that information to determine when, pursuant to paragraph  
37 (3), a service provider is not obligated to provide net energy  
38 metering to additional customer-generators in its service area.

39 (3) Notwithstanding paragraph (1), an electric service provider  
40 is not obligated to provide net energy metering to additional

customer-generators in its service area when the combined total peak demand of all customer-generators served by all the electric service providers in that service area furnishing net energy metering to eligible customer-generators exceeds 1.5 percent of the aggregate customer peak demand of those electric service providers.

(d) Electric service providers shall make all necessary forms and contracts for net metering service available for download from the Internet.

(e) (1) Every electric service provider shall ensure that requests for establishment of net energy metering are processed in a time period not exceeding that for similarly situated customers requesting new electric service, but not to exceed 30 working days from the date the electric service provider receives a completed application form for net metering service, including a signed interconnection agreement from an eligible customer-generator and the electric inspection clearance from the governmental authority having jurisdiction. If an electric service provider is unable to process the request within the allowable timeframe, the electric service provider shall notify both the customer-generator and the ratemaking authority of the reason for its inability to process the request and the expected completion date.

(2) Electric service providers shall ensure that requests for an interconnection agreement from an eligible customer-generator are processed in a time period not to exceed 30 working days from the date the electric service provider receives a completed application form from the eligible customer-generator for an interconnection agreement. If an electric service provider is unable to process the request within the allowable timeframe, the electric service provider shall notify the customer-generator and the ratemaking authority of the reason for its inability to process the request and the expected completion date.

(f) (1) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier that does not provide distribution service for the direct transactions, the service provider that provides distribution service for an eligible customer-generator is not obligated to provide net energy metering to the customer.

(2) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier, and the customer is an eligible customer-generator, the service provider that provides distribution service for the direct transactions may recover from the customer's electric service provider the incremental costs of metering and billing service related to net energy metering in an amount set by the ratemaking authority.

(g) Each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the same customer would be assigned if the customer did not use an eligible solar or wind electrical generating facility, except that eligible customer-generators shall not be assessed standby charges on the electrical generating capacity or the kilowatthour production of an eligible solar or wind electrical generating facility. The charges for all retail rate components for eligible customer-generators shall be based exclusively on the customer-generator's net kilowatthour consumption over a 12-month period, without regard to the customer-generator's choice of electric service provider. Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or any other charge that would increase an eligible customer-generator's costs beyond those of other customers who are not customer-generators in the rate class to which the eligible customer-generator would otherwise be assigned if the customer did not own, lease, rent, or otherwise operate an eligible solar or wind electrical generating facility are contrary to the intent of this section, and shall not form a part of net energy metering contracts or tariffs.

(h) For eligible residential and small commercial customer-generators, the net energy metering calculation shall be made by measuring the difference between the electricity supplied to the eligible customer-generator and the electricity generated by the eligible customer-generator and fed back to the electric grid over a 12-month period. The following rules shall apply to the annualized net metering calculation:

(1) The eligible residential or small commercial customer-generator shall, at the end of each 12-month period following the date of final interconnection of the eligible

customer-generator's system with an electric service provider, and at each anniversary date thereafter, be billed for electricity used during that period. The electric service provider shall determine if the eligible residential or small commercial customer-generator was a net consumer or a net producer of electricity during that period.

(2) At the end of each 12-month period, where the electricity supplied during the period by the electric service provider exceeds the electricity generated by the eligible residential or small commercial customer-generator during that same period, the eligible residential or small commercial customer-generator is a net electricity consumer and the electric service provider shall be owed compensation for the eligible customer-generator's net kilowatthour consumption over that same period. The compensation owed for the eligible residential or small commercial customer-generator's consumption shall be calculated as follows:

(A) For all eligible customer-generators taking service under tariffs employing "baseline" and "over baseline" rates, any net monthly consumption of electricity shall be calculated according to the terms of the contract or tariff to which the same customer would be assigned to or be eligible for if the customer was not an eligible customer-generator. If those same customer-generators are net generators over a billing period, the net kilowatthours generated shall be valued at the same price per kilowatthour as the electric service provider would charge for the baseline quantity of electricity during that billing period, and if the number of kilowatthours generated exceeds the baseline quantity, the excess shall be valued at the same price per kilowatthour as the electric service provider would charge for electricity over the baseline quantity during that billing period.

(B) For all eligible customer-generators taking service under tariffs employing "time of use" rates, any net monthly consumption of electricity shall be calculated according to the terms of the contract or tariff to which the same customer would be assigned to or be eligible for if the customer was not an eligible customer-generator. When those same customer-generators are net generators during any discrete time of use period, the net kilowatthours produced shall be valued at the same price per kilowatthour as the electric service provider

1 would charge for retail kilowatthour sales during that same time  
2 of use period. If the eligible customer-generator's time of use  
3 electrical meter is unable to measure the flow of electricity in two  
4 directions, paragraph (3) of subdivision (b) shall apply.

5 (C) For all residential and small commercial  
6 customer-generators and for each billing period, the net balance  
7 of moneys owed to the electric service provider for net  
8 consumption of electricity or credits owed to the  
9 customer-generator for net generation of electricity shall be  
10 carried forward as a monetary value until the end of each  
11 12-month period. For all commercial, industrial, and agricultural  
12 customer-generators the net balance of moneys owed shall be  
13 paid in accordance with the electric service provider's normal  
14 billing cycle, except that if the commercial, industrial, or  
15 agricultural customer-generator is a net electricity producer over  
16 a normal billing cycle, any excess kilowatthours generated during  
17 the billing cycle shall be carried over to the following billing  
18 period as a monetary value, calculated according to the  
19 procedures set forth in this section, and appear as a credit on the  
20 customer-generator's account, until the end of the annual period  
21 when paragraph (3) shall apply.

22 (3) At the end of each 12-month period, where the electricity  
23 generated by the eligible customer-generator during the  
24 12-month period exceeds the electricity supplied by the electric  
25 service provider during that same period, the eligible  
26 customer-generator is a net electricity producer and the electric  
27 service provider shall retain any excess kilowatthours generated  
28 during the prior 12-month period. The eligible  
29 customer-generator shall not be owed any compensation for  
30 those excess kilowatthours unless the electric service provider  
31 enters into a purchase agreement with the eligible  
32 customer-generator for those excess kilowatthours.

33 (4) The electric service provider shall provide every eligible  
34 residential or small commercial customer-generator with net  
35 electricity consumption information with each regular bill. That  
36 information shall include the current monetary balance owed the  
37 electric service provider for net electricity consumed since the  
38 last 12-month period ended. Notwithstanding this subdivision, an  
39 electric service provider shall permit that customer to pay  
40 monthly for net energy consumed.

1 (5) If an eligible residential or small commercial  
2 customer-generator terminates the customer relationship with the  
3 electric service provider, the electric service provider shall  
4 reconcile the eligible customer-generator's consumption and  
5 production of electricity during any part of a 12-month period  
6 following the last reconciliation, according to the requirements  
7 set forth in this subdivision, except that those requirements shall  
8 apply only to the months since the most recent 12-month bill.

9 (6) If an electric service provider providing net metering to a  
10 residential or small commercial customer-generator ceases  
11 providing that electrical service to that customer during any  
12 12-month period, and the customer-generator enters into a new  
13 net metering contract or tariff with a new electric service  
14 provider, the 12-month period, with respect to that new electric  
15 service provider, shall commence on the date on which the new  
16 electric service provider first supplies electric service to the  
17 customer-generator.

18 (i) Notwithstanding any other provisions of this section, the  
19 following provisions shall apply to an eligible  
20 customer-generator with a capacity of more than 10 kilowatts,  
21 but not exceeding one megawatt, that receives electrical service  
22 from a local publicly owned electric utility, as defined in Section  
23 9604, that has elected to utilize a co-energy metering program  
24 unless the electric service provider chooses to provide service for  
25 eligible customer-generators with a capacity of more than 10  
26 kilowatts in accordance with subdivisions (g) and (h):

27 (1) The eligible customer-generator shall be required to utilize  
28 a meter, or multiple meters, capable of separately measuring  
29 electricity flow in both directions. All meters shall provide  
30 "time-of-use" measurements of electricity flow, and the customer  
31 shall take service on a time-of-use rate schedule. If the existing  
32 meter of the eligible customer-generator is not a time-of-use  
33 meter or is not capable of measuring total flow of energy in both  
34 directions, the eligible customer-generator shall be responsible  
35 for all expenses involved in purchasing and installing a meter  
36 that is both time-of-use and able to measure total electricity flow  
37 in both directions. This subdivision shall not restrict the ability of  
38 an eligible customer-generator to utilize any economic incentives  
39 provided by a government agency or the electric service provider

1 to reduce its costs for purchasing and installing a time-of-use  
2 meter.

3 (2) The consumption of electricity from the electric service  
4 provider shall result in a cost to the eligible customer-generator  
5 to be priced in accordance with the standard rate charged to the  
6 eligible customer-generator in accordance with the rate structure  
7 to which the customer would be assigned if the customer did not  
8 use an eligible solar or wind electrical generating facility. The  
9 generation of electricity provided to the electric service provider  
10 shall result in a credit to the eligible customer-generator and shall  
11 be priced in accordance with the generation component,  
12 established under the applicable structure to which the customer  
13 would be assigned if the customer did not use an eligible solar or  
14 wind electrical generating facility.

15 (3) All costs and credits shall be shown on the eligible  
16 customer-generator's bill for each billing period. In any months  
17 in which the eligible customer-generator has been a net consumer  
18 of electricity calculated on the basis of value determined pursuant  
19 to paragraph (2), the customer-generator shall owe to the electric  
20 service provider the balance of electricity costs and credits during  
21 that billing period. In any billing period in which the eligible  
22 customer-generator has been a net producer of electricity  
23 calculated on the basis of value determined pursuant to paragraph  
24 (2), the electric service provider shall owe to the eligible  
25 customer-generator the balance of electricity costs and credits  
26 during that billing period. Any net credit to the eligible  
27 customer-generator of electricity costs may be carried forward to  
28 subsequent billing periods, provided that an electric service  
29 provider may choose to carry the credit over as a kilowatthour  
30 credit consistent with the provisions of any applicable tariff,  
31 including any differences attributable to the time of generation of  
32 the electricity. At the end of each 12-month period, the electric  
33 service provider may reduce any net credit due to the eligible  
34 customer-generator to zero.

35 (j) A solar or wind turbine electrical generating system, or a  
36 hybrid system of both, used by an eligible customer-generator  
37 shall meet all applicable safety and performance standards  
38 established by the National Electrical Code, the Institute of  
39 Electrical and Electronics Engineers, and accredited testing  
40 laboratories such as Underwriters Laboratories and, where

1 applicable, rules of the Public Utilities Commission regarding  
2 safety and reliability. A customer-generator whose solar or wind  
3 turbine electrical generating system, or a hybrid system of both,  
4 meets those standards and rules shall not be required to install  
5 additional controls, perform or pay for additional tests, or  
6 purchase additional liability insurance.

7 (k) If the commission determines that there are cost or revenue  
8 obligations for an electric corporation, as defined in Section 218,  
9 that may not be recovered from customer-generators acting  
10 pursuant to this section, those obligations shall remain within the  
11 customer class from which any shortfall occurred and may not be  
12 shifted to any other customer class. Net-metering and  
13 co-metering customers shall not be exempt from the public  
14 benefits charge. In its report to the Legislature, the commission  
15 shall examine different methods to ensure that the public benefits  
16 charge remains a nonbypassable charge.

17 (l) A net metering customer shall reimburse the Department of  
18 Water Resources for all charges that would otherwise be imposed  
19 on the customer by the commission to recover bond-related costs  
20 pursuant to an agreement between the commission and the  
21 Department of Water Resources pursuant to Section 80110 of the  
22 Water Code, as well as the costs of the department equal to the  
23 share of the department's estimated net unavoidable power  
24 purchase contract costs attributable to the customer. The  
25 commission shall incorporate the determination into an existing  
26 proceeding before the commission, and shall ensure that the  
27 charges are nonbypassable. Until the commission has made a  
28 determination regarding the nonbypassable charges, net metering  
29 shall continue under the same rules, procedures, terms, and  
30 conditions as were applicable on December 31, 2002.

31 (m) In implementing the requirements of subdivisions (k) and  
32 (l), a customer-generator shall not be required to replace its  
33 existing meter except as set forth in paragraph (3) of subdivision  
34 (b), nor shall the electric service provider require additional  
35 measurement of usage beyond that which is necessary for  
36 customers in the same rate class as the eligible  
37 customer-generator.

38 (n) On or before January 1, 2005, the commission shall submit  
39 a report to the Governor and the Legislature that assesses the  
40 economic and environmental costs and benefits of net metering

1 to customer-generators, ratepayers, and utilities, including any  
2 beneficial and adverse effects on public benefit programs and  
3 special purpose surcharges. The report shall be prepared by an  
4 independent party under contract with the commission.

5 (o) It is the intent of the Legislature that the Treasurer  
6 incorporate net energy metering and co-energy metering projects  
7 undertaken pursuant to this section as sustainable building  
8 methods or distributive energy technologies for purposes of  
9 evaluating low-income housing projects.

10 SEC. 10. Chapter 8 (commencing with Section 2830) is  
11 added to Part 2 of Division 1 of the Public Utilities Code, to read:

12  
13 CHAPTER 8. SOLAR ENERGY PEAK PROCUREMENT PROGRAM

14  
15 2830. (a) The Legislature finds and declares all of the  
16 following:

17 (1) Electricity generated by solar energy ~~using photovoltaic~~  
18 systems provides a reliable supply of electricity during peak  
19 demand periods.

20 (2) Electricity generated by ~~photovoltaic~~ *solar energy* systems  
21 is a reliable substitute for the purchase of expensive,  
22 conventionally-generated electricity during peak demand periods.

23 (3) Electricity generated by ~~photovoltaic~~ *solar energy* systems  
24 is a substitute for demand management activities which lower  
25 peak demand.

26 (4) Electricity generated by ~~photovoltaic~~ *solar energy* systems  
27 is a substitute for interruptible energy programs which lower  
28 peak demand.

29 (5) The commission requires utilities to procure peak demand  
30 period electricity supplies and allocates those costs to all  
31 customers.

32 (6) The commission has established demand management  
33 programs and interruptible energy programs and allocates the  
34 costs of those programs to all customers.

35 (7) It is the intent of the Legislature that this program remain  
36 in effect for 10 years and that the subsidy level per kilowatt of  
37 capacity be reduced to zero at the end of those 10 years.

38 (b) It is the intent of the Legislature that this program be  
39 funded at a level of up to one hundred million dollars  
40 (\$100,000,000) annually and that this program not result in fee or

1 rate increases. The commission shall not increase for any reason  
2 the amount designated for this program, regardless of any  
3 increase in applications or lack of funding.

4 (c) It is the intent of the Legislature that the customers of each  
5 utility benefit in proportion to the amount paid for the program  
6 by those customers. Any program adopted by the commission  
7 shall be a cost-effective investment by ratepayers in peak  
8 electricity generation capacity that enables ratepayers to recoup  
9 the cost of their investment through lower rates as a result of  
10 avoiding purchases of electricity at peak rates generated by  
11 traditional powerplants and peaker generation units, with  
12 additional system reliability and pollution reduction benefits.

13 (d) It is the intent of the Legislature that existing ~~photovoltaic~~  
14 *solar energy* programs be harmonized with the program  
15 established by this legislation.

16 2831. The commission shall by January 1, 2006, open a  
17 proceeding to examine the relative costs and benefits between  
18 solar rebate programs and commission-administered interruptible  
19 and demand reduction programs, as follows:

20 (a) The proceeding shall review the self-generation incentive  
21 program administered by the commission to harmonize it with  
22 the solar energy programs administered by the State Energy  
23 Resources Conservation and Development Commission and shall  
24 issue a report on its recommendations to the Legislature.

25 (b) The proceeding shall include the conducting of a cost  
26 versus benefit analysis to examine the relative costs and benefits  
27 between solar rebate programs and commission-administered  
28 interruptible and demand reduction programs that are in the best  
29 interests of ratepayers.

30 (c) The proceeding shall review the cost and benefits of net  
31 metering and report to the Legislature on whether the net  
32 metering cap should be changed.

33 2832. The commission shall consider how customer-owned  
34 ~~photovoltaic~~ *solar energy systems that provide* distributed  
35 generation pursuant to this program can be integrated with future  
36 procurement plans, resource adequacy requirements, and energy  
37 efficiency measures.

38 2833. The Solar Energy Peak Procurement Fund is hereby  
39 created in the State Treasury. Moneys in the fund may be  
40 expended, upon appropriation by the Legislature, for the state's

1 administration of the program, to be used to encourage the  
2 deployment of grid-connected solar ~~photovoltaic~~ *energy* systems  
3 in the service territory of investor-owned utilities by subsidizing  
4 the installed cost of those systems for all customer classes.

5 2834. The commission shall direct utilities to regularly  
6 deposit a portion of the moneys derived from electric rates into  
7 the Solar Peak Energy Procurement Fund. The commission shall  
8 determine the amount of electric rates to be deposited. That  
9 amount shall come from unused funds previously authorized for  
10 demand management and interruptible programs and rates which  
11 previously paid for demand management and interruptible  
12 programs which the commission determines to be less cost  
13 effective than the ~~photovoltaic~~ *solar energy* incentive program  
14 established by Division 16.7 (commencing with Section ~~26420~~  
15 *26421*) of the Public Resources Code.

16 2835. On or before December 31, ~~2005~~ *2006*, the commission  
17 shall report to the Legislature on whether the commission was  
18 able to obtain funding from existing programs sufficient to  
19 achieve the purposes of the act enacting this chapter, and shall  
20 submit recommendations for additional funding sources, if  
21 necessary.

22 SEC. 11. No reimbursement is required by this act pursuant  
23 to Section 6 of Article XIII B of the California Constitution  
24 because certain costs that may be incurred by a local agency or  
25 school district will be incurred because this act creates a new  
26 crime or infraction, eliminates a crime or infraction, or changes  
27 the penalty for a crime or infraction, within the meaning of  
28 Section 17556 of the Government Code, or changes the  
29 definition of a crime within the meaning of Section 6 of Article  
30 XIII B of the California Constitution.

31 With regard to any other mandates, no reimbursement is  
32 required by this act pursuant to Section 6 of Article XIII B of the  
33 California Constitution because a local agency or school district  
34 has the authority to levy service charges, fees, or assessments  
35 sufficient to pay for the program or level of service mandated by  
36 this act, within the meaning of Section 17556 of the Government  
37 Code.